CLAIM AMENDMENTS

Claims 1-13 (withdrawn)

Claim 14 (canceled)

Claim 15 (currently amended): A system and method for the exchange for the trading of contracts based upon the volatility of an underlying, comprising performance of the following steps:

(a)   creating at least one volatility contract for a predetermined term, with a predetermined formula for settlement price based on a realized formula, selected from the group consisting of:

$$(1) \qquad Svol = \sqrt{\frac{P}{n-1}\sum_{t=1}^{n}(R_t - \bar{R})^2}$$

wherein:

P   =   approximate number of trading periods in a calendar year, and each observation point "t" is taken at the same time in each trading period; and

$\bar{R}$ =   mean of all R_t's;

$$(2) \qquad Svol = \sqrt{\frac{P_{hl}}{n}\sum_{t=1}^{n}(\ln\frac{h_t}{l_t})^2}$$

wherein:

P_{hl} =   total number of trading periods in a year wherein two observations points "h_t" and "l_t" are used, and "h_t" is the high price point and "l_t" the low price point for each such trading period in that year; and

R_t =   f {h_t, l_t}; and

$$(3) \qquad Svol = \sqrt{\frac{P_{oHo}}{n}\sum_{t=1}^{n}[\frac{1}{2}(\ln\frac{h_t}{l_t})^2 - (2\ln(2)-1)(\ln\frac{c_t}{o_t})^2]}$$

wherein:

P_{ohlc} = total number of trading periods, wherein four observations points "h_t", "l_t",

"c_t" and "o_t" are used, and "h_t" is the high price point, "l_t" the low price point,

"c_t" is the closing, last or daily settlement price, and "o_t" the opening price for

each such trading period;

R_t = f $\{h_t, l_t, c_t, o_t\}$; and

$$ \underline{(4)} \qquad Svol = \sqrt{\frac{P}{n}\sum_{t=1}^{n} R_t^2} $$

wherein:

P = approximate number of trading periods in a calendar year, and each observation

point "t" is taken at the same time in each trading period; and

n = total number of observations within the term; and

R_t = return of the underlying based upon each of the observation points in time "t_n";

  (b) trading the at least one volatility contract at market-determined prices from

creation through the date of expiration.

Claims 16 (canceled).

Claim 17 (currently amended): A <u>computer implemented l</u>method for the creation and

trading of financial instruments based upon the volatility of an underlying comprising the

following steps:

  (a) creating at least one volatility contract for a predetermined term, with a

predetermined formula for settlement price based on a realized formula, selected from the

group consisting of:

$$ (1) \qquad Svol = \sqrt{\frac{P}{n-1}\sum_{t=1}^{n}\left(R_t - \overline{R}\right)^2} $$

wherein:

P   =   approximate number of trading periods in a calendar year, and each observation

point "t" is taken at the same time in each trading period; and

$\bar{R}$ =   mean of all R_t's;

$$(2) \qquad Svol = \sqrt{\frac{P_{hl}}{n} \sum_{t=1}^{n} (\ln \tfrac{ht}{lt})^2}$$

wherein:

P_{hl} =   total number of trading periods in a year wherein two observations points "h_t"

and "l_t" are used, and "h_t" is the high price point and "l_t" the low price point

for each such trading period in that year; and

R_t = $f\{h_t, l_t\}$; and

$$(3) \qquad Svol = \sqrt{\frac{P_{ohlc}}{n} \sum_{t=1}^{n} [\tfrac{1}{2}(\ln \tfrac{h_t}{l_t})^2 - (2\ln(2) - 1)(\ln \tfrac{c_t}{o_t})^2]}$$

wherein:

P_{ohlc} =   total number of trading periods, wherein four observations points "h_t", "l_t",

"c_t" and "o_t" are used, and "h_t" is the high price point, "l_t" the low price point,

"c_t" is the closing, last or daily settlement price, and "o_t" the opening price for

each such trading period;

R_t = $f\{h_t, l_t, c_t, o_t\}$; and

$$(4) \qquad Svol = \sqrt{\frac{P}{n} \sum_{t=1}^{n} R_t^2}$$

wherein:

P   =   approximate number of trading periods in a calendar year, and each observation

point "t" is taken at the same time in each trading period; and

n   =   total number of observations within the term; and

R_t =   return of the underlying based upon each of the observation points in time "t_n";

(b)   trading the at least one volatility contract at market-determined prices from

creation through the date of expiration.

$\bar{R}$ Claims 18 (canceled).

Claim 19 (currently amended): A computer implement system for the creation, trading,

and settlement of financial instruments based upon realized volatility, comprising:

(a) ·   creating a volatility contract, by:

(1)   predetermining a realized volatility period;

(2)   predetermining a time during a trading period that observations ·

are taken;

(3)   predetermining an annualization factor; and

(4)   predetermining a formula for the calculation of realized volatility;

and

(b)   listing said volatility contract on an exchange;

(c)   trading said volatility contract on said exchange during an anticipatory

period and a realized volatility period;

(d)   settling the volatility contract at expiration in accordance with the

predetermined formula-

(e)   wherein the settlement price of the volatility contract is determined in

accordance with a formula selected from the group consisting of:

(1)

wherein:

P   =   approximate number
      of trading periods in a

$$S_{vol} = \sqrt{\frac{P}{n-1}\sum_{i=1}^{n}(R_i - \bar{R})^2}$$

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calendar year, and each observation point "t" is taken at the same time in each

trading period; and

$\bar{}$ = mean of all R_t's;

$$(2) \qquad Svol = \sqrt{\frac{P_{hl}}{n} \sum_{t=1}^{n} (\ln \frac{h_t}{l_t})^2}$$

wherein:

P_{hl} = total number of trading periods in a year wherein two observations points "h_t"

and "l_t" are used, and "h_t" is the high price point and "l_t" the low price point

for each such trading period in that year; and

R_t = $f\{h_t, l_t\}$; and

$$(3) \qquad Svol = \sqrt{\frac{P_{ohlc}}{n} \sum_{t=1}^{n} [\frac{1}{2}(\ln \frac{h_t}{l_t})^2 - (2\ln(2) - 1)(\ln \frac{c_t}{o_t})^2]}$$

wherein:

P_{ohlc} = total number of trading periods, wherein four observations points "h_t", "l_t",

"c_t" and "o_t" are used, and "h_t" is the high price point, "l_t" the low price point,

"c_t" is the closing, last or daily settlement price, and "o_t" the opening price for

each such trading period;

R_t = $f\{h_t, l_t, c_t, o_t\}$; and

$$(4) \qquad Svol = \sqrt{\frac{P}{n} \sum_{t=1}^{n} R_t^2}$$

wherein:

P = approximate number of trading periods in a calendar year, and each observation

point "t" is taken at the same time in each trading period; and

n = total number of observations within the term; and

R_t = return of the underlying based upon each of the observation points in time "t_n".